BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES, CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF COOLIDGE POWER CORPORATION, IN CONFORMANCE WITH THE REQUIREMENTS OF ARIZONA REVISED STATUTES 40-360.03 AND 40-360.06, FOR A CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY AUTHORIZING CONSTRUCTION OF A NOMINAL 575 MW NATURAL GAS-FIRED, SIMPLE CYCLE GENERATING FACILITY LOCATED WITHIN THE CITY OF COOLIDGE IN PINAL COUNTY, ARIZONA	DOCKET NO. L-00000HH-08-0422-00141 CASE NO. 141 **NOTICE OF COMPLIANCE ACTION REGARDING CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY CONDITION 9(b)**

Pursuant to Decision Number 70636 and the resulting Certificate of Environmental Compatibility ("Certificate") authorizing construction of a nominal 575 MW natural gas-fired, simple-cycle generating facility and associated generation intertie ("gen-tie") transmission line (collectively the "Project"), Coolidge Power submits this documentation in compliance with Certificate Condition 9(b).

Certificate Condition 9(b) requires that before commencing construction of Project facilities located parallel to and within 100 feet of any existing natural gas or hazardous liquid pipeline, Coolidge Power must analyze a Project outage and either demonstrate that the simulated outage does not result in customer outages or provide

documentation explaining how the impact of such an outage will be addressed to minimize any resulting customer outages.

As explained in the Certificate application and the hearing before the Arizona Power Plant and Transmission Line Siting Committee ("Hearing"), the Project will supply power only to SRP for the purpose of serving SRP customers during periods of peak electricity demand. SRP will purchase 100% of the electricity generated by the Project and will have exclusive dispatch control of the output of the Project. When either a planned or unplanned Project outage occurs, SRP will be responsible to address such outage and, if necessary, find replacement generation.

During the hearing, Coolidge Power and Commission Staff clarified that in the context of this Project, the line subject to Certificate Condition 9(b) is the gen-tie line between the gas turbine generators and the switchyard. *See* Attachment 1, Certificate Hearing Transcript, Gray Testimony, at pp. 187-89. Coolidge Power and Commission Staff further clarified that Coolidge Power may satisfy Certificate Condition 9(b) by submitting a letter explaining that a Project gen-tie line outage, which is the equivalent to a power plant outage, will be addressed the same way Salt River Project ("SRP") responds to any other outage of generation on the transmission system. *Id.*

Accordingly, in support of the Certificate application, SRP Manager of Resource Planning and Development John D. Coggins submitted a letter to the Arizona Corporation Commission ("Commission") dated September 30, 2008, which explained:

> In the same manner that SRP must occasionally provide replacement resources for generating facilities owned by SRP, SRP will utilize its portfolio of owned generation resources, long and short term power purchases, other resources included in operating reserves (e.g., reserve sharing arrangements or demand side management capabilities), and supplemental spot market purchases to respond to any planned or unplanned outages at [the Project]. *See* Attachment 2, Applicant Exhibit A-13 at p. 2.

Mr. Coggins further testified at the Hearing that SRP will be fully responsible to replace the generation when there is a Project outage and will manage the outage the same way it does when an SRP-owned generation unit experiences an outage. *See* Attachment 3, Certificate Hearing Transcript, Coggins Testimony, at pp. 253-60.

As the record demonstrates, SRP's outage response process is straightforward. Initially when there is an outage or disturbance on the system, SRP's system and the grid as a whole respond. At all times there are a number of generators online that are operating at less than their full capability, resulting in a substantial amount of generation that is not fully loaded at all times. This remaining capability that is not used is called the spinning reserve. When the system encounters a disturbance, there is an automatic dispatch of remaining generator capabilities that respond immediately to the disturbance. The spinning reserve accounts for approximately 5% to 7% of the total capacity of the system and is available at all times. SRP also has non-spinning reserve capacity, which includes the resources that can come online within 10 minutes. SRP can also go to the market to make short-term spot market purchases very quickly, if necessary to respond to outages.

If a loss of Project generation were the result of some event on the gas pipeline that intersects the Project site, SRP's response for replacing the generation will be no different than a loss caused by any other event. The lost generation will be replaced through the use of spinning reserves, non-spinning reserves, and/or spot purchases to minimize or prevent any customer outages as described above.

Based on the record cited above, Coolidge Power submits that Certificate Condition 9(b) is satisfied by this filing and the above referenced testimony, documentation and explanation.

RESPECTFULLY SUBMITTED this 28th day of May, 2009.

MOYES SELLERS & SIMS

Steve Wene

Steve Wene

Original and 25 copies of the foregoing
filed this 28th day of May, 2009, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Donnelly Herbert

ATTACHMENT 1

Coolidge Power Corp. 9/30/2008

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our prior discussion with them we have agreed to accept, the language suggested with respect to the condition arising out of the potential for collocation of a gas line and transmission line in this project.

CROSS-EXAMINATION

BY MR. MOYES:

Q. Mr. Gray, you will recall my expression of concern in conversations with you with regard to just what Staff would contemplate to be the appropriate response to the second subpart of that proposed condition, which is portion B that's up on the screen, particularly with regard to a study simulating an outage of the project.

In the context of this project, where the line at issue is simply the gen-tie line between these gas turbine generators and the switchyard, and that therefore an outage for whatever cause would simply remove that source of generation, as opposed to a larger transmission line that may be carrying multiple sources of generation and thousands of megawatts of power, could you explain for us what you would believe would appropriately satisfy this requirement with respect to an outage study from this applicant on this particular project?

A. Certainly, yes. In this case, as compared to, say, a long distance transmission line where, you know, a pipeline would knock out a set of transmission towers, that would have somewhat of a different effect than in this case where the transmission line is within the generating facility. And I think recognizing that, if the applicant demonstrated that an outage of the transmission line within the facility is equivalent to an outage of the facility itself, then to the extent the applicant had demonstrated the effects of an outage of the facility itself, that that would meet the needs of this particular provision.

Q. So if I understand you correctly, if the applicant were to submit a letter in response to this condition setting forth those facts, and that an outage caused by or resulting from this collocation set of facts would be no different than any other outage of those generators to which the SRP transmission system would respond like it does to any other generation outage, by the implementation of bringing other reserve resources on line and other responses consistent with what Mr. Bahl will discuss in his testimony, that that would satisfy this condition for Staff's interpretation of this condition?

A. Yes, that would.

MR. MOYES: Thank you very much.

I think that was an important clarification that we sought for the record, Mr. Chairman, so that we would know that we could adequately conform to this requirement and demonstrate that we had complied with it. I don't have any other further questions of Mr. Gray.

CHMN. FOREMAN: All right. Let's start on this end. Member Houtz.

MEMBER HOUTZ: Mr. Gray, I would like to go to your first set of conditions. Having worked on Case No. 114, 116, and 134, if memory serves me correctly, those applicants all were having specific contracts for natural gas with pipeline companies. In this case, Salt River Project has already agreed to be the provider or to provide the natural gas to the plant. I am just wondering if it really is of any benefit to have the applicant participate in the workshop when SRP already is and they are the ones providing the natural gas.

MS. SCOTT: Can you give us just one moment?

CHMN. FOREMAN: Sure. And maybe while you are considering this, I had a question that was similar to Member Houtz's question about the legal enforceability of that condition.

If the applicant was contractually obligated to

ATTACHMENT 2

A-13

John D. Coggins
Manager, Resource Planning and Development

Mail Station ISB669
PO Box 52025
Phoenix, AZ 85072-2025

September 30, 2008

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Re: Application of Coolidge Power Corporation, Arizona Corporation Commission Docket No. L-00000HH-08-0422-00141 (Case No. 141)

Dear Sir/Madam:

I am writing on behalf of Salt River Project Agricultural Improvement and Power District ("SRP") to provide information in support of the Application filed by Coolidge Power Corporation for a Certificate of Environmental Compatibility ("CEC") in Case No. 141. As I indicated in my letter of September 23, 2008, SRP has signed a 20-year PPA for the output from the Coolidge Generation Station (CGS) that is the subject of Case 141. In response to questions posed to Coolidge Power Corporation by Arizona Corporation Commission (ACC) Utilities Division Staff (Staff), SRP provides the following general information regarding the operation of CGS:

- From an operational perspective, CGS will be dispatched by SRP in a manner essentially the same as a plant that is owned by SRP.

- SRP expects that the CGS will be operated and maintained by the Coolidge Power Corporation in the same way that SRP operates and maintains its own facilities. CGS personnel qualified to operate and maintain the facility will be continuously in contact with SRP dispatchers via phone or other communication devices.

- SRP has the right to dispatch any number of the available generating units at any time. Dispatch can be accomplished via phone or other communications devices, including remote start capability in the SRP control center.

- Coolidge Power Corporation will provide and maintain the capability for remote start-up, shutdown, and changes in generation levels of each unit. Each unit will be capable of starting and achieving base load within 10 minutes.

- SRP is responsible for delivering fuel to the facility and for transmission to accept generation from the facility. Coolidge Power Corporation is responsible for construction of the facilities required to interconnect the plant with the El Paso and TransWestern pipelines.

- Planned outages of the facility will be coordinated between Coolidge Power Corporation and SRP through the implementation of an operating committee.

- For planned and unplanned, full or partial outages of CGS, SRP is responsible for securing replacement capacity and energy. In one particular circumstance, Coolidge Power Corporation may deliver replacement capacity and energy to SRP, but is not required to do so.

- Coolidge Power Corporation will not plan or schedule major maintenance activities in the summer months without the prior consent of SRP. Efforts will be made to minimize all outages during the summer months.

- In the same manner that SRP must occasionally provide replacement resources for generating facilities owned by SRP, SRP will utilize its portfolio of owned generation resources, long and short term power purchases, other resources included in operating reserves (e.g., reserve sharing arrangements or demand side management capabilities), and supplemental spot market purchases to respond to any planned or unplanned outages at CGS.

If you have any questions, please feel free to contact me.

Sincerely,

John D. Coggins
Manager, Resource Planning and Development

cc: John Foreman

ATTACHMENT 3

Coolidge Power Corp. 10/1/2008

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JOHN D. COGGINS,

a witness herein, having been previously duly sworn by the Chairman to speak the truth and nothing but the truth, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MOYES:

Q. Good morning, Mr. Coggins.

A. Good morning.

Q. We appreciate your being here, which arrangements were made primarily to be able to be responsive to some questions from the members of the Committee of SRP.

But sort of by way of foundation, after the fact as it were, even though these exhibits have been made admissible and part of the record, perhaps you could give us a little bit of background of your role in the preparation of these letters and the subject matter of the letters.

A. Certainly. I did write both the letters that have been submitted. As you mentioned previously, one dealt with the need for this particular resource. The second letter dealt with operating terms and conditions, if you will, of the power purchase agreement.

Q. Do you have anything you wish to add in the way

of additional substantive information in addition to what is already in these letters?

A. I don't think so. I think the letters are pretty comprehensive in terms of covering those topics.

MR. MOYES: Thank you. I believe that's all we have in the way of direct. And the primary purpose was to have Mr. Coggins here to answer your questions in connection with this.

CHMN. FOREMAN: Sure. Does the Corporation Commission Staff have any questions?

MS. SCOTT: I have a few. Thank you.

CHMN. FOREMAN: Please proceed.

CROSS-EXAMINATION

BY MS. SCOTT:

Q. Thank you again for being here, Mr. Coggins.

A. Thank you.

Q. While SRP is not the applicant, SRP certainly plays a key role in this project and it is very helpful to have you here to clarify.

I had just a few additional questions on the topic of need. Based on the first letter that was filed in the docket, SRP had identified a need up to 2500 megawatts of intermediate and peaking power based on the recent growth and demand and your anticipated growth and

demand. And I wondered if you had any additional information or statistics related to the growth that you have experienced and that you expect. Do you have some numbers or percentages for us?

A. Yes, I can provide a few numbers on those lines. Generally when I describe the growth on SRP's system I am speaking in terms of capacity here. Since this is a peaking facility, it is going to provide capacity benefit to us. But in general, over the last five years or so, SRP's load growth on average from year to year has been in the range of about 250 megawatts to 300 megawatts. That's kind of an average over that five-year time period.

As we look at the situation going forward, currently as everybody is aware the economy is slowing that growth quite a bit. And so we have just recently revised our growth projections out into the future. So, for example, looking over the next five years, we are thinking at this point that that growth may be reduced to something in the range of an annual average 200 megawatts per year.

Q. Your letter had also indicated that your estimate of your future need was for peaking and intermediate power. And while this plant has been proposed as a peaking plant, does SRP have any

anticipation in the future that this plant might be revised in some way to also meet intermediate power needs?

A. I don't think so, for a number of reasons. First off, one of the key benefits of this plant beyond just providing additional capacity is the operating flexibility that it provides. And one example of that is the plant provides benefits to SRP's system even when it is not running. It has been discussed a little bit earlier.

The reason for that is because the units are capable of starting up and loading to full load within 10 minutes. So we will, quite frequently, want to hold off running some of these units, potentially all of these units, and keep them in reserve so that, if we have a disturbance on the system, we can quickly start these resources and respond to that disturbance. So that is really just one example from an operating perspective why we typically would not see a plant like this running at a higher capacity factor than what is typical for peaking.

In addition to that, I would say there is also an economic reason. These units, as simple cycle gas turbines, are inherently less efficient than, for example, combined cycle gas units. So for those

reasons, if we saw a need for more generation, it is quite likely going to be more economic for us to utilize combined cycle resources for longer times and more energy production, or potentially even buy that energy from the market, than it will be to run this facility.

Q. An additional benefit that had been mentioned was use of this plant as a reliable backup for renewable energy sources. I wonder if you could enlighten us if SRP has any current renewable projects that you foresee this particular project providing backup for, or do you have any tangible plans in the future for which you would use this in the renewable area?

A. Yes, we do. You may have seen in the press recently we announced a project. It is a wind farm in northern Arizona. We are the sole off-taker of the first phase of that project. That project will be on line prior to the commercial operation of the Coolidge facility.

That wind project, the first phase, is roughly 65 megawatts of wind. We do have certain rights to a second phase of that project. If we were to pursue those rights, that would essentially double the size of that wind farm, double our off-take from that wind farm I should say. So that would push it up to roughly 130 megawatts of capacity from the wind farm. So that is a

direct tangible renewable resource that we plan to put in place.

And as you know, wind energy in particular is quite an intermittent resource, and in particular in Arizona it is maybe more intermittent than it is in other locations. The wind is not as strong in Arizona as potentially in other states like New Mexico and Wyoming, so we expect that wind farm to operate at very low capacity factor, around 25 percent. And so we can utilize this facility to help back up that wind farm when production is not available from the wind farm.

Q. Thank you.

My next few questions relate to specific operational aspects of the purchased power agreement. And I believe you are aware Staff had originally asked for a copy of that agreement. And we are aware that it contains sensitive confidential information. The areas of concern that we particularly had were what is going to happen, who is going to be responsible in the case of an emergency, in the case of a power outage, and that was why we requested, in lieu of a copy of the agreement, some specific responses to questions in this area.

And in that respect, the letter that was docketed yesterday really answers most of those

questions. And so there are just a few key points in your letter that I want to have you confirm today.

A. Sure.

Q. The first is, since we have a unique situation where one entity is generating the power and the other is purchasing, if there is an outage of the facility that's a planned outage, whether it be for maintenance or some other purpose, is it correct that any outage such as that would be coordinated through an operation committee with representatives from both entities?

A. That's correct. There will be an operating committee that is established under this contract. We will have representatives from both Coolidge Power and SRP, and all outages, to the extent they can be, will be coordinated among the two parties, that's correct.

Q. If there is any kind of outage, planned or unplanned, whether it is partial or complete, SRP will be the responsible party for obtaining and securing any replacement power?

A. Yes, under all outage scenarios. So planned outages, forced outages, full outages, partial outages, under all scenarios, SRP has the responsibility to procure or make available, you know, supplemental resources to replace this generation.

There is one particular circumstance where

TransCanada has an option to provide replacement power, but they are not required to do so.

Q. In terms of maintenance, any kind of planned maintenance will always -- planned maintenance done by Coolidge Power Corporation -- will always be done or planned with the prior consent of SRP?

A. Yes, to the extent it can that maintenance will be coordinated, and to the extent that it affects the availability of the units.

Q. SRP does own other generation sources, correct?

A. Yes, we do.

Q. So our concern was what would happen if there were an outage, since you don't own this plant. We were concerned that it might be treated differently. Can you elaborate on that?

A. Actually it is going to be treated in a manner very similar to any other unit that we own. And also keep in mind that we do own generation that we don't operate. So that's probably an even closer scenario to what we are talking about here.

So this particular resource will look very much like any plant SRP owns or has involvement with, and will be fully responsible to replace the generation when there is any outages.

MS. SCOTT: Thank you for clarifying those